

Message Text

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ACTION EA-09

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 AGR-05 /100 W

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R 141027Z MAY 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5048

INFO US MISSION GENEVA 0499

C O N F I D E N T I A L MANILA 6774

E.O. 11652: GDS

TAGS: EGEN, ETRD, RP, US

SUBJECT: US-GOP ECONOMIC NEGOTIATIONS

REF: MANILA 5848

1. E/C COUNSELOR MET WITH NDEA DIRECTOR SICAT MAY 14 FOR PURPOSE OF FOLLOWING UP ON AMBASSADOR'S CONVERSATION WITH PRESIDENT MARCOS APRIL 28 (REFTEL). E/C COUNSELOR SAID HE NOTED THAT IMMEDIATELY FOLLOWING THE AMBASSADOR'S CONVERSATION WITH PRESIDENT, LATTER HAD GIVEN SICAT INSTRUCTIONS CONCERNING DEVELOPMENT OF GOP NEOGITATING POSITION. EMBASSY THEREFORE WISHED TO REVIEW STATUS OF NEGOTIATIONS WITH SICAT IN EFFORT TO ENSURE THAT HE WAS AWARE OF USG VIEW OF WHERE NEGOTIATIONS STOOD. E/C COUNSELOR THEN CONVERED SAME GROUND AS AMBASSADOR HAD WITH PRESIDENT, REMINDING SICAT THAT PRESIDENT HAD AGREED WITH AMBASSADOR THAT AGREEMENT IS WORKABLE AND THAT PRESIDENT HAD INDICATED INTEREST IN PURSUING ENTIRE PACKAGE RATHER THAN LIMITED TARIFF ARRANGEMENT THAT MIGHT BE POSSIBLE IN GENEVA. SICAT SAID HE WAS AWARE THAT THIS WAS THE PRESIDENT'S POSITION.

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2. E/C COUNSELOR ALSO TOLD SICAT THAT USG SIDE HAD BEEN

DISAPPOINTED WITH INFLEXIBILITY OF GOP SIDE, PARTICULARLY IN VIEW OF FORTHCOMING USG APPROACH. SICAT REPLIED SOMEWHAT LAMELY THAT IT WAS HIS IMPRESSION THAT USG HAD ALSO BEEN RATHER TOO RIGID. WITH RESPECT TO INVESTMENT ASPECT OF AGREEMENT, E/C COUNSELOR SAID HE HAD NOTED SICAT'S REMARKS WITH RESPECT TO RP-FRENCH INVESTMENT AGREEMENT (SEE MANILA 6609 WHICH REPORTED THAT SICAT HAD CITED IT AS MODEL FOR TREATMENT OF INVESTMENT ISSUES) AND SAID THAT HE HOPED GOP UNDERSTOOD IMPORTANCE USG ATTACHED TO INVESTMENT AGREEMENT WHICH WENT BEYOND SIMPLE MFN PROVISION SUCH AS THAT NEGOTIATED WITH FRENCH. SICAT REPLIED GOP COULD NEVER ACCEPT NATIONL TREATMENT PROVISION. E/C COUNSELOR SAID USG UNDERSTOOD THIS AND HAD THEREFORE TABLED NON-DISCRIMINATION PROPOSAL DURING APRIL 5 MEETING. E/C COUNSELOR GAVE HIM COPY. E/C COUNSELOR ALSO SAID THERE APPEARED TO BE LEGITIMATE GROUNDS FOR CONCERN WITH RESPECT TO ATTRACTIVENESS OF RP INVESTMENT CLIMATE AND GAVE SICAT COPY OF TABLE BASED ON IMF DATA WHICH SHOWS PHILIPPINES LAGGING CONSIDERABLY BEHIND SURROUNDING COUNTRIES IN TERMS OF NET FOREIGN INVESTMENT.

3. SICAT MADE POINT THAT INITIATIVE FOR RESUMPTION OF ECONOMIC NEGOTIATIONS IS RESPONSIBILITY OF U.S. SIDE AND ASKED WHETHER IT WOULD BE POSSIBLE TO HOLD THEM AT SAME TIME AS BASE NEGOTIATIONS. E/C COUNSELOR SAID HE FORESAW NOT DIFFICULTY AND REMINDED SICAT OF MARCOS'S HOPE THAT BOTH AGREEMENTS COULD BE SIGNED IN SAME TIME FRAME SOMETIME THIS SUMMER.

4. COMMENT: WHILE SICAT HAD MINOR EX OFICIO ROLE IN PREPARATION OF GOP NEGOTIATING POSITION, HE HAS NOT BEEN CLOSE TO NEGOTIATIONS AND HAS GIVEN EVERY INDICATION OF HAVING BEEN CAUGHT OFF BALANCE BY PRESIDENT'S SUDDENLY HAVING THROWN THE SPOTLIGHT ON HIM. HOWEVER, IN VIEW SICAT'S CENTRAL POSITION IN GOP POLICY FORMULATION, WE REGARDED THIS AS EXCELLENT OPPORTUNITY TO EDUCATE HIM. SECRETARY VIRATA AND DFA (AND, OF COURSE, MARCOS HIMSELF) REMAIN KEY ELEMENTS ON GOP SIDE, BUT IT DOES NO HARM TO HAVE THIS INTELLIGENT, REASONABLE WELL-BALANCED SENIOR TECHNICIAN ALSO IN POSSESSION OF THE FACTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, FOREIGN TRADE, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA06774
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760188-0176
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760554/aaaabtxf.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 MANILA 5848
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2004 by greeneet>; APPROVED <23 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US-GOP ECONOMIC NEGOTIATIONS
TAGS: EGEN, ETRD, ECIN, RP, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006